

MINING LEASE NO. AT(05-1)-ML-60.8-NM-B-1

RECEIVED

UNITED STATES
ATOMIC ENERGY COMMISSION

AUG 19 1974

RSM

THIS AGREEMENT OF LEASE, entered into and effective this 12th day
of June, 1974 by and between the UNITED STATES OF
AMERICA (hereinafter called the "Government"), represented by the UNITED
STATES ATOMIC ENERGY COMMISSION (hereinafter called the "Commission"),
and G. Warnock, an individual

whose principal place of business is Albuquerque, New Mexico
(hereinafter called the "Lessee");

WITNESSETH THAT:

WHEREAS, the Commission holds certain uranium mining property
described in Appendix "A" hereto; and

WHEREAS, the Commission desires that said property be developed and
operated for the production of uranium-bearing ores; and

WHEREAS, the Lessee has been determined by the Commission to be the
successful bidder for this lease; and

WHEREAS, this agreement is authorized by Section 67 of the Atomic Energy
Act of 1954, as amended, and, if issued pursuant to an invitation which solicited
bids only from small business concerns, by Section 15 of the Small Business Act
(15 U.S.C. 644) and Section 302 (c) 15 of the Federal Property and Administrative
Services Act of 1949 (41 U.S.C. 252 (c) 15); and is issued pursuant to the provi-
sions of the Commission's regulations governing the issuance of leases for mining
deposits of uranium in lands held by the Commission (10 CFR 60.8);

MINING LEASE NO. AT(05-1)-ML-60.8- NM-B-1

NOW, THEREFORE, the parties do hereby agree as follows:

I. GRANT OF LEASE. For and in consideration of the royalties hereinafter stated and any cash payments heretofore made by the Lessee to the Commission, and performance by the Lessee of the terms and conditions hereinafter provided, the Commission does hereby lease unto the Lessee, for the purposes of exploring for, developing, mining, and removing deposits of uranium and associated minerals, the property described in Appendix "A" hereto, subject to the terms and conditions hereinafter set forth. The rights hereby granted are limited to exploration, development, mining, and removal of ore from within the vertical planes of the boundary lines of the premises described in Appendix "A", which is attached hereto and hereby made a part hereof, and the Lessee shall have no right hereunder to extend its workings beyond such vertical planes.

II. TERM. This lease agreement shall remain in effect for a period of ten (10) years from the date of its execution, except as it may be sooner relinquished or cancelled pursuant to other provisions of this agreement. The Lessee, by written notice delivered to the Contracting Officer within ninety (90) calendar days preceding the end of such ten-year period, may request an extension of the lease agreement for a second ten-year period. This lease agreement shall be so extended unless it is determined by the Contracting Officer that the Lessee is in default of one or more of the terms and provisions of the lease.

III. DEFINITIONS. As used herein:

(a) The term "Commission" means the United States Atomic Energy Commission or any duly authorized representative thereof, including the Contracting Officer except for the purpose of deciding an appeal under the article entitled "Disputes."

MINING LEASE NO. AT(05-1)-ML-60.8- NM-B-1

(b) The term "Contracting Officer" means the person executing this lease on behalf of the Government, and any other officer or civilian employee who is a properly designated Contracting Officer; and the term includes, except as otherwise provided in this lease, the authorized representative of a Contracting Officer acting within the limits of his authority.

(c) The term "associated minerals" means any minerals, other than the minerals covered by this lease, which are (i) so intermingled with the deposits of the mineral or minerals for which this lease is issued that separate development is, in the opinion of the Contracting Officer, not warranted for mining or for economic reasons, or (ii) of such poor quality and in such small quantity that separate development is, in the opinion of the Contracting Officer, undesirable for mining or for economic reasons.

IV. GENERAL PERFORMANCE REQUIREMENT. Subject to the other terms and conditions of this lease, the Lessee agrees to conduct exploration, development, and mining activities on the leased premises with reasonable diligence, skill, and care, as required to achieve and maintain production of uranium ore at rates consistent with good and safe mining practice, and with market conditions.

V. ROYALTY. The Lessee agrees to pay or cause to be paid, as directed by the Commission, the base royalties and royalty bid amounts specified in Appendix "B", which is attached hereto and hereby made a part hereof, at the rates and in the manner set forth therein.

VI. MINIMUM ROYALTY. In addition to the first year's minimum royalty paid with the Lessee's bid, there shall become due and payable to the Commission at the beginning of each of the second and third lease years a minimum royalty

MINING LEASE NO. AT(05-1)-ML-60.8-NM-B-1

of Four Thousand Dollars (\$4,000.00). At the beginning of each lease year thereafter, including lease years in the term of any extension of this lease, there shall become due and payable to the Commission a minimum royalty of Ten Thousand Dollars (\$10,000.00); provided, that, upon a written application by the Lessee showing to the satisfaction of the Contracting Officer that the market for ores from the lands covered by this lease will probably be inadequate to justify operations under the lease during the ensuing lease year, the Contracting Officer in his sole discretion may by written notice to the Lessee forgive the payment of the minimum royalty for such lease year, but he may do so only if, as of the beginning of the lease year in question, the total amount of all minimum royalties theretofore paid by the Lessee hereunder exceeds by at least Thirty-Two Thousand Dollars (\$32,000.00) the total amount of all base royalties theretofore paid by the Lessee hereunder. Such written application shall be submitted to the Contracting Officer not less than thirty (30) calendar days prior to the beginning of the lease year with respect to which it is made. Minimum royalties paid pursuant to this article shall be credited against base royalties and royalty bid payments which become payable during the term of this lease or any extension thereof. Minimum royalties so paid shall not be refunded upon the surrender, cancellation, expiration, or other termination of this lease.

MINING LEASE NO. AT(05-1)-ML-60.8-NM-B-1

**VII. INTEREST ON OVERDUE PAYMENTS - FORFEITURE FOR
NON-PAYMENT**

(a) The Lessee shall pay interest, at the per annum rate (365-day basis) established from time to time by the Commission for general application to monies due the Commission, on all amounts of base royalty, royalty bid, and minimum royalty due the Commission from the Lessee and remaining unpaid as of the dates specified in this lease for payment of such amounts. Such interest shall commence to accrue on the day immediately following the date on which payment of any such amount is due; provided that, if the day immediately following the due date falls on a Saturday, a Sunday, or a Federal legal holiday, such interest shall commence to accrue on the day immediately following which is not a Saturday, a Sunday, or a Federal holiday.

(b) Notwithstanding the provisions of paragraph (a) of this Article VII, and irrespective of interest payments made by the Lessee to the Commission pursuant thereto, the Contracting Officer, in his sole discretion, may cancel this lease for failure by the Lessee to pay the entire principal amount of any base royalty, royalty bid, or minimum royalty within sixty (60) calendar days after payment thereof is due from the Lessee to the Commission under the terms of this lease. Such cancellation shall be effective upon Lessee's receipt of a written notice thereof from the Contracting Officer. Failure of the Commission to exercise its right to cancel shall not be deemed to be a waiver thereof.

VIII. USE OF SURFACE.

(a) Subject to the other provisions of this lease, the rights granted to the Lessee herein include the right to use so much of the surface of the

MINING LEASE NO. AT(05-1)-ML-60.8- NM-B-1

lands described herein as is required for the exploration for, and development, mining, and removal of ore, including the right to erect such buildings and other structures and install such machinery and other facilities as may be required for such operations; provided, that the Lessee shall recognize existing uses and commitments in the form of grazing, timbering, special use permits, and public recreation, and improvements such as water developments, ditches, roads, trails, pipelines, telephone, telegraph, and power lines, fences, and rights-of-way; and Lessee shall conduct his operations so as to interfere as little as possible with such existing uses and improvements.

(b) The lands leased hereunder shall at all times be subject to other lawful uses heretofore or hereafter granted by the Government, through any authorized agency; provided, that such uses shall not prevent, obstruct, or unduly interfere with any right granted under this lease.

IX. LEASES FOR OTHER MINERALS. The granting of this lease shall not preclude the issuance by the Government of other leases of the same land for the purposes of mining and extracting oil, gas, oil shale, coal, phosphate, potassium, sodium, sulphur, or other minerals which are or may in the future be leasable pursuant to Federal mineral leasing laws; provided, that any such leases hereafter issued shall provide that operations under such leases shall not prevent, obstruct, or unduly interfere with any right granted under this lease.

X. USE OF SALABLE MINERALS. No salable minerals, such as sand, gravel, or stone, found on the lands leased hereunder shall be used by the Lessee in its operations unless such salable minerals have been purchased from the Government under the provisions of the Materials Act of July 31, 1947 (61 Stat. 681), or from the owner of such salable minerals if other than the Government.

MINING LEASE NO. AT(05-1)-ML-60.8- NM-B-1

XI. ACCESS TO LEASE TRACT. Access to the tract of land leased hereunder is not guaranteed by the Government. The Lessee shall be responsible for securing such access.

XII. ENVIRONMENTAL REQUIREMENTS.

(a) To the degree practicable, all existing serviceable improvements used by the Lessee, such as fences, gates, cattle guards, roads, trails, culverts, pipelines, bridges, and water development and control structures shall be left in serviceable condition by the Lessee. Improvements damaged or destroyed by the Lessee shall be replaced, restored, or compensated for by the Lessee.

(b) The Lessee shall not disturb public land survey corner markers or monuments or Commission survey markers without the prior written approval of the Contracting Officer, and the Lessee shall pay all of the costs of any surveys required to preserve or reestablish the true point of any such marker or monument and to replace it.

(c) Housing and other buildings and support facilities related to community development shall be constructed or located on the leased premises only upon the prior written approval of the Contracting Officer. In constructing and locating such housing, other buildings, and support facilities, the Lessee shall comply with any applicable county planning and zoning regulations, subdivision regulations, and mobile home regulations, and shall furnish evidence of such compliance to the Contracting Officer upon request.

(d) The Lessee shall use existing roads where practicable, and shall conduct activities employing wheel or track vehicles in such a manner as to minimize surface damage. The Lessee shall promptly repair any road

MINING LEASE NO. AT(05-1)-ML-60.8-NM-B-1

damage caused by the Lessee's operations, restoring such road to its original condition or to a condition acceptable to the Contracting Officer. Where existing access roads across the leased area are used principally by the Lessee, the Lessee shall construct drainage structures (culverts, water bars, or grade dips) on such roads where they show excessive erosion. Plans for such structures shall be included in the Exploration Plan submitted to the Contracting Officer pursuant to Article XIII hereof. The Lessee shall construct new roads and trails only at locations and to specifications approved in advance in writing by the Contracting Officer or an authorized representative of the Contracting Officer, and shall construct and maintain such new roads and trails in such a manner as to minimize channeling and other erosion. The Contracting Officer's approval of plans for new access road construction, culverts, water bars, or grade dips will be guided by standards established by the Bureau of Land Management, U. S. Department of the Interior, or by the Forest Service, U. S. Department of Agriculture, where appropriate.

(e) The Lessee shall conduct all operations so as not to adversely change the character or cause pollution of streams, lakes, ponds, water-holes, seeps, and marshes, and so as not to damage fish and wildlife resources. The Lessee shall control mine wastes, contaminants, and pollutants, and shall exercise all precautions to prevent them from entering streams, springs, stock waters, or ground waters within practical means as determined by the Contracting Officer. The Lessee shall not use water from any spring or stock pond without the written consent of the person having the rights to the use of such spring or stock pond.

(f) Lessee shall keep the clearing of timber, stumps and snags, and any ground cover to a minimum consistent with the conduct of exploration, development, and mining activities hereunder, and shall use due care

MINING LEASE NO. AT(05-1)-ML-60.8-NM-B-1

to avoid scarring or removal of vegetative ground cover in areas not involved in such operations. In open park areas where there is either a grass, shrub, or sagebrush cover, it shall be disturbed as little as possible. If the shrub or brush cover is too high and must be cleared, it shall be cleared at or above ground level. The Lessee shall return all disturbed areas to their original condition or a condition acceptable to the Contracting Officer promptly after damage to such areas has occurred and operations under this lease are no longer being conducted on the disturbed areas.

(g) Lessee agrees that all underground mine openings shall be supported by pillars, timber, or other ground support devices approved by the state or Federal agencies having jurisdiction over such underground workings. Lessee further agrees, during the term of this lease, to substantially fill in, fence, protect, or close all surface openings, subsidence holes, surface excavations, or workings which may be a hazard to people or animals. Such protective measures shall be maintained in a proper and safe condition during the term of this lease. Before abandonment of operations all openings, including water discharge points, shall be closed to the satisfaction of the Contracting Officer. Surface drill holes for exploration or development which, in the determination of the Contracting Officer, endanger any present or future underground operation, or any deposit of oil, gas, other mineral substances, or water strata, shall be cemented and/or cased to the satisfaction of the Contracting Officer and in a manner to protect the surface. Reclamation or protection of surface areas no longer needed for operations shall be performed by the Lessee without delay. The Contracting Officer, by written notice to the Lessee, shall designate any such areas where restoration or reclamation, or both, must be undertaken. No underground workings or part thereof shall be permanently abandoned and rendered inaccessible without the prior written approval of the Contracting Officer.

MINING LEASE NO. AT(05-1)-ML-60.8-NM-B-1

(h) If antiquities or other objects of historic or scientific interest, including but not limited to historic or prehistoric ruins, vertebrate fossils, or artifacts, are discovered by the Lessee in the performance of operations under this lease, the Lessee shall cease operations in the vicinity of such discovery and immediately take appropriate steps to protect and save such objects of historic or scientific interest and shall notify the Contracting Officer of such discovery. The Contracting Officer shall assess the values involved and prescribe such protective measures as he deems necessary.

(i) The Lessee shall make every effort to prevent, control, or suppress any fire in the operating area and to report any uncontrolled fire to the appropriate official of the Bureau of Land Management, U. S. Department of Interior, or the Forest Service, U. S. Department of Agriculture, as designated by the Contracting Officer.

(j) The Lessee agrees that, at the request of the Contracting Officer during the term of this lease, the Lessee will negotiate in good faith with the Commission with the objective of reaching an agreement under which the Lessee for an appropriate consideration, would correct undesirable conditions existing on the leased premises as a result of previous mining activities, as such conditions may be identified from time to time by the Contracting Officer.

(k) All of the obligations set forth in this Article XII, except as otherwise provided for in paragraph (j) above, shall be performed by the Lessee at his expense.

MINING LEASE NO. AT(05-1)-ML-60.8- NM-B-1

(1) The Lessee agrees to abide by the additional environmental requirements, if any, set forth in Appendix "C" hereto, which is attached and hereby made a part hereof.

XIII. EXPLORATION PLAN. The parties agree that:

(a) Prior to commencing any surface disturbing operations to explore, test, or prospect for minerals covered by this lease, the Lessee shall file with the Contracting Officer five (5) copies of a plan for the proposed exploration activities and shall obtain the Contracting Officer's approval of such plan. Such exploration plan shall include, but not be limited to:

- (1) A description of the area within which exploration is to be conducted;
- (2) A statement of proposed exploration methods;
- (3) A description of specific measures to be taken to assure compliance with the requirements of Article XII hereof (Environmental Requirements), including methods of reclamation contemplated by the Lessee; and
- (4) A map or aerial photograph satisfactory to the Contracting Officer, designating areas of proposed drilling and other operational sites, and existing and proposed access roads to be used by the Lessee.

A copy of the format for an exploration plan is attached to this lease as illustrative of that which may be required hereunder.

(b) If preparation and filing of an exploration plan for the entire operation is dependent upon factors which cannot or will not be determined except during the progress of exploration activities, partial plans may be

MINING LEASE NO. AT(05-1)-ML-60.8- NM-B-1

submitted and approved from time to time; provided, however, that the Lessee shall not perform exploration activities not described in an approved plan.

(c) Changes may be made in the approved exploration plan by mutual written agreement of the Lessee and the Contracting Officer:

XIV. MINING PLAN. The parties agree that:

(a) Prior to constructing any surface installation or commencing mine development on the leased lands, the Lessee shall file with the Contracting Office five (5) copies of a plan for the proposed mining operations and shall obtain the Contracting Officer's approval of such plan. Such mining plan shall include, but not be limited to:

- (1) A description of the location and area to be affected by the operations;
- (2) A map or aerial photograph satisfactory to the Contracting Officer showing the location of proposed mining operations;
- (3) A map based on accurate surveys and satisfactory to the Contracting Officer showing the location of the ore bodies proposed to be mined;
- (4) A statement of proposed operating methods and descriptions of proposed mine entries;
- (5) A map or aerial photograph satisfactory to the Contracting Officer, showing the location of existing and proposed roads to be used in the operation and the location of structures and facilities to be constructed; and

MINING LEASE NO. AT(05-1)-ML-60.8-NM-B-1

- (6) A description of specific measures to be taken to assure compliance with the requirements of Article XII hereof (Environmental Requirements), including methods of reclamation contemplated by the Lessee.

A copy of the format for a mining plan is attached to this lease as illustrative of that which may be required hereunder.

(b) If preparation and filing of a mining plan for the entire operation is dependent on factors which cannot or will not be determined except during the progress of mining activities, a partial plan may be submitted and approved from time to time; provided, however, that the Lessee shall not perform mining activities not described in an approved plan.

(c) Changes may be made in the approved mining plan by mutual written agreement of the Lessee and the Contracting Officer.

XV. PERFORMANCE BOND.

(a) Upon approval of an exploration plan or mining plan, and prior to commencing any surface-disturbing operations, the Lessee shall be required to file a suitable performance bond of not less than \$2,000 with satisfactory surety, payable to the United States Atomic Energy Commission, and the bond shall be conditioned upon the faithful compliance with applicable regulations, the terms and conditions of this lease, and any exploration and mining plans, including amendments and supplements thereto, which have been approved by the Contracting Officer.

(b) The Contracting Officer shall set the amount of the bond and may require an increase or allow a decrease in the amount of the bond, as in

MINING LEASE NO. AT(05-1)-ML-60.8- NM-B-1

his judgment the circumstances may require. In determining the amount of the bond, the Contracting Officer shall take into consideration the character and nature of the reclamation requirements of the lease, including the requirements of any approved exploration and mining plans and partial or supplementary plans, and the estimated costs of such reclamation.

- XVI. INSPECTION. The Commission reserves the right, through its officers, employees, agents, and contractors, to enter upon the leased property and into all parts of any of Lessee's mines at all reasonable times for inspection and other purposes.

XVII. WEIGHING, SAMPLING, AND ASSAYING.

(a) With respect to ores which are mined from the leased premises and delivered to a mill or other receiving station which is owned or controlled by the Lessee, the Lessee agrees to the following provisions:

- (1) The Lessee shall weigh each lot of ore delivered from the leased premises to its mill or other receiving station and shall furnish the Commission a record of the weight of such lot. The scales used in weighing such ore shall be balanced daily and checked once each week or more often, as appears necessary, by either standard weights or by check-weighing against another scales. Scale platforms will be kept clean and free of the sides of the pit, and the scales shall be inspected and certified every six months by the appropriate entity of the state in which the mill or receiving station is located, if

MINING LEASE NO. AT(05-1)-ML-60.8-NM-B-1

such inspection is available; otherwise, a biannual inspection shall be made by a competent organization which is acceptable to both the Lessee and the Commission.

- (2) Each such lot shall be sampled by the Lessee according to standard and accepted practices in ore sampling, and such sampling shall be final and binding on both parties to this lease. The Commission or its representative may be present at the sampling of such ore. The Lessee shall make moisture determinations according to standard practices in ore sampling. The Lessee shall divide each final sample into four (4) pulps, one of which shall be promptly furnished to the Commission, one of which shall be retained by the Lessee for assay purposes, and two of which shall be held in reserve by the Lessee for possible umpire analysis. The Lessee shall promptly assay its pulp for U_3O_8 content and shall transmit the assay results to the Commission, together with weight and moisture certificates for the lot sampled. For the purpose of such reporting, all assays for U_3O_8 shall be adjusted to the nearest 0.001%.
- (3) The Commission may assay its pulps at its own expense. In case of disagreement with the Lessee's assay, the Commission may, within 30 calendar days after receiving its pulp

MINING LEASE NO. AT(05-1)-ML-60.8-NM-B-1

mail to the Lessee a written request for an umpire assay. Upon receipt of such written request, the Lessee shall promptly submit one of the pulps held in reserve to an assayer, whom the parties hereto shall agree upon, for umpire assay. If the assay of the umpire is within the assays of the two parties, it shall be final. If not, the assay which is nearer to that of the umpire shall prevail. The party whose assay for U_3O_8 is further from that of the umpire shall pay the cost of the umpire's assay. In the event that the umpire's assay for U_3O_8 is equally distant from the assay of each party, the cost shall be split equally.

- (4) The quantity of ore comprising a lot, as used herein, shall be determined by the Lessee, except that no lot shall exceed one thousand (1,000) tons of ore except as otherwise agreed in writing by the Contracting Officer.

(b) With respect to ores which are mined from the leased premises and delivered to a mill or other receiving station not owned or controlled by the Lessee, the Lessee agrees, at its own expense, to assay or cause to be assayed sample pulps representing not less than one-fifth of the lots of ore so delivered during each month, and to invoke the ore buyer's established umpire procedure whenever the difference between the buyer's assay and the Lessee's assay is greater than 0.01% U_3O_8 . The Lessee may at its option submit lesser assay differences for umpire assay at its expense.

MINING LEASE NO. AT(05-1)-ML-60.8-NM-B-1

XVIII. FEDERAL, STATE, AND LOCAL STATUTES AND REGULATIONS.

The Lessee agrees to comply with all applicable Federal, state, and local statutes, regulations, and standards, including but not limited to those relating to mine safety; radiation; air, water, and land pollution; disposal of liquid and solid waste; and workmen's and unemployment compensation.

XIX. INDEMNIFICATION OF GOVERNMENT.

(a) It is understood that the Government, the Commission, and its contractors and employees shall not be responsible for any mechanics' or miners' liens or other liens, encumbrances, or liabilities incurred by the Lessee in connection with the operation of the leased premises, and the Lessee assumes all responsibility for and will save the Government, the Commission, and its contractors and employees harmless from any and all claims and liability of whatsoever nature arising from the operation or occupancy of the premises. The Lessee shall forthwith post, and at all times keep posted, in some conspicuous place upon the premises, a notice stating in substance that the premises are leased to the Lessee and that the interest of the Government and the Commission shall not be subject to any liens, claims, or encumbrances arising in connection with the occupancy and operation of the premises, and that the Government and the Commission shall not be liable to any person not a party to this lease for any claims arising in connection with this lease or the leased premises.

(b) The Lessee agrees to protect and indemnify the Government and the Commission against any payroll taxes or contributions imposed with respect to any employee of the Lessee by any applicable law dealing with old age pensions, unemployment compensation, accident compensation, health

MINING LEASE NO. AT(05-1)-ML-60.8-NM-B-1

insurance and related subjects. The Lessee also agrees at its own cost and expense to insure to each workman employed in, about, or upon the premises the compensation provided for by law with respect to workmen's compensation and employer's liability insurance, properly safeguarding the Government, the Commission, and its contractors and employees against liability for injuries to persons, including injuries resulting in death, and loss of and damage to property in policies and amounts acceptable to the Commission and to furnish to the Commission written evidence of such insurance.

XX. RECORDS, REPORTS, AND MAPS.

(a) The Lessee agrees to keep, and to make available to the Contracting Officer as soon as practicable after the end of each calendar quarter, the following records and maps:

- (1) A map or maps showing the location of all exploration holes drilled on the leased premises during such calendar quarter, together with copies of any logs and assay records applicable to such drill holes;
- (2) A mine map or maps showing the progress of mining on the leased premises as of the end of such calendar quarter;
- (3) An accurate record of the tonnage and U_3O_8 grade of each lot of ore delivered from the leased premises to a mill, buying station, or other purchaser during such calendar quarter, including copies of all settlement sheets furnished to the Lessee for ores so delivered;

MINING LEASE NO. AT(05-1)-ML-60.8- NM-B-1

- (4) Lessee's estimate of the tonnage and U_3O_8 and V_2O_5 grades of all ores stockpiled on the leased premises as of the end of such calendar quarter.

(b) The Lessee further agrees to make available to the Contracting Officer, upon request, the results of any inspections of Lessee's mines or other facilities located on the leased premises, conducted by personnel of local, state, or other Federal agencies under applicable statutes and regulations.

XXI. TAXES. The Lessee agrees to pay when due all taxes lawfully assessed and levied pursuant to state or Federal law upon improvements, output of mines, and other interests, property, and assets of the Lessee in or upon the leased premises.

XXII. ASSIGNMENT. The Lessee agrees that no transfer of this lease, or of any interest therein or claim thereunder, by assignment, sublease, operating agreement, or otherwise, shall be effective unless and until approved by the Contracting Officer.

XXIII. RELINQUISHMENT OF LEASE. This lease may be surrendered by the Lessee upon the Lessee's filing with the Commission, and the Contracting Officer's approval of, a written application for relinquishment. Approval of the application shall be contingent upon the delivery of the leased premises to the Commission in a condition satisfactory to the Contracting Officer, and upon the continued liability of the lessee to make payment of all royalty and other debts theretofore accrued and due the Commission.

MINING LEASE NO. AT(05-1)-ML-60.8-NM-B-1

XXIV. CANCELLATION OF LEASE. This lease may be cancelled by the Commission whenever the Lessee fails to comply with the provisions of this lease. Failure of the Commission to exercise its right to cancel shall not be deemed a waiver thereof.

XXV. TITLE TO UNSHIPPED ORE. The Commission, except as otherwise approved in writing by the Contracting Officer, reserves all right, title, and property in and to all ores and other uranium-bearing material not removed from the leased premises within sixty (60) days after expiration or other termination of this lease. Except as otherwise approved in writing by the Contracting Officer, all materials mined from the leased premises and not marketed by the Lessee shall remain on the leased premises.

XXVI. DELIVERY OF PREMISES. At the expiration of this lease, or upon its earlier termination as herein provided, the Lessee shall surrender the leased premises in a condition satisfactory to the Contracting Officer, and shall, unless otherwise directed by the Contracting Officer, remove from the leased premises at Lessee's expense all structures, machinery, equipment, tools, and improvements placed thereon by the Lessee; provided, that Lessee shall not remove any timbers or improvements which are determined by the Contracting Officer to be required to be left in the mine workings to protect such workings as a mining property.

XXVII. EXAMINATION OF RECORDS.

(a) The Lessee agrees that the Commission and the Comptroller General of the United States or any of his duly authorized representatives shall, until the expiration of three years after termination or expiration of this lease, have access to and the right to examine any directly pertinent books, documents, papers, and records of the Lessee involving transactions related to this lease.

MINING LEASE NO. AT(05-1)-ML-60.8- NM-B-1

(b) Nothing in this lease shall be deemed to preclude an audit by the General Accounting Office of any transaction under this lease.

XXVIII. OFFICIALS NOT TO BENEFIT. No member of or delegate to Congress, or resident commissioner, shall be admitted to any share or part of this lease, or to any benefit that may arise therefrom; but this provision shall not be construed to extend to this lease if made with a corporation for its general benefit.

XXIX. COVENANT AGAINST CONTINGENT FEES. The Lessee warrants that no person or selling agency has been employed or retained to solicit or secure this lease upon an agreement or understanding for a commission, percentage, brokerage, or contingent fee, excepting bona fide employees or bona fide established commercial or selling agencies maintained by the Lessee for the purpose of securing business. For breach or violation of this warranty, the Government shall have the right to annul this lease without liability, or in its discretion to require the Lessee to pay to the Commission the full amount of such commission, percentage, brokerage, or contingent fee.

XXX. DISPUTES.

(a) Except as otherwise provided in this lease, any dispute concerning a question of fact arising under this lease which is not disposed of by agreement shall be decided by the Contracting Officer, who shall reduce his decision to writing and mail or otherwise furnish a copy thereof to the Lessee. The decision of the Contracting Officer shall be final and conclusive unless within 30 days from the date of receipt of such copy, the Lessee mails or otherwise furnishes to the Contracting Officer a written appeal addressed to the Commission. The decision of the Commission

MINING LEASE NO. AT(05-1)-ML-60,8-NM-B-1

or its duly authorized representative for the determination of such appeals shall be final and conclusive unless determined by a court of competent jurisdiction to have been fraudulent, or capricious, or arbitrary, or so grossly erroneous as necessarily to imply bad faith, or not supported by substantial evidence. In connection with any appeal proceeding under this clause, the Lessee shall be afforded an opportunity to be heard, and to offer evidence in support of its appeal. Pending final decision of a dispute hereunder, the Lessee shall abide by the Contracting Officer's decision.

(b) This "Disputes" clause does not preclude consideration of law questions in connection with decisions provided for in paragraph (a) above; provided, that nothing in this lease shall be construed as making final the decision of any administrative official, representative, or board on a question of law.

XXXI. EQUAL OPPORTUNITY IN EMPLOYMENT. The following clause is applicable unless this lease is exempt under the rules, regulations, and relevant orders of the Secretary of Labor (41 CFR, ch. 60):

During the performance of this lease, the Lessee agrees as follows:

(a) The Lessee will not discriminate against any employee or applicant for employment because of race, color, religion, sex, or national origin. The Lessee will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, color, religion, sex, or national origin. Such action shall include, but not be limited to, the following: Employment, upgrading, demotion or transfer, recruitment or recruitment advertising, layoff or termination; rates of pay or other forms of

compensation; and selection for training, including apprenticeship. The Lessee agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the Contracting Officer setting forth the provisions of this Equal Opportunity clause.

(b) The Lessee will, in all solicitations or advertisements for employees placed by or on behalf of the Lessee, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex, or national origin.

(c) The Lessee will send to each labor union or representative of workers with which he has a collective bargaining agreement or other contract or understanding, a notice, to be provided by the agency Contracting Officer, advising the labor union or workers' representative of the Lessee's commitments under this Equal Opportunity clause, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.

(d) The Lessee will comply with all provisions of Executive Order No. 11246 of September 24, 1965, and of the rules, regulations, and relevant orders of the Secretary of Labor.

(e) The Lessee will furnish all information and reports required by Executive Order No. 11246 of September 24, 1965, and by the rules, regulations, and orders of the Secretary of Labor, or pursuant thereto, and will permit access to his books, records, and accounts by the contracting agency and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations, and orders.

MINING LEASE NO. AT(05-1)-ML-60.8-NM-B-1

(f) In the event of the Lessee's noncompliance with the Equal Opportunity clause of this lease or with any of the said rules, regulations, or orders, this lease may be canceled, terminated, or suspended in whole or in part, and the Lessee may be declared ineligible for further Government contracts in accordance with procedures authorized in Executive Order No. 11246 of September 24, 1965, or by rule, regulation, or order of the Secretary of Labor, or as otherwise provided by law.

(g) The Lessee will include the provisions of paragraph (a) through (g) in every subcontract or purchase order unless exempted by rules, regulations, or orders of the Secretary of Labor issued pursuant to section 204 of Executive Order No. 11246 of September 24, 1965, so that such provisions will be binding upon each subcontractor or vendor. The Lessee will take such action with respect to any subcontract or purchase order as the contracting agency may direct as a means of enforcing such provisions, including sanctions for noncompliance; provided, however, that in the event the Lessee becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction by the contracting agency, the Lessee may request the United States to enter into such litigation to protect the interests of the United States.

XXXII. HEIRS AND SUCCESSORS-IN-INTEREST. Each obligation hereunder shall extend to and be binding upon, and every benefit hereof shall inure to, the heirs, executors, administrators, successors, or assigns of the respective parties hereto.

MINING LEASE NO. AT(05-1)-ML-60.8- NM-B-1

IN WITNESS WHEREOF, the parties hereto have executed this agreement of lease, effective as of the date first above written, intending to be legally bound thereby.

Witnesses:

/s/ Holger Albrethsen, Jr.

/s/ Caroline D. Retolaza

/s/ Dorothy M. Warnock

/s/ A. H. Vining

UNITED STATES OF AMERICA
UNITED STATES ATOMIC ENERGY COMMISSION

By /s/ Elton A. Youngberg

Title Manager, Grand Junction Office

Date 6/12/74

/s/ G. Warnock (LESSEE)

By G. Warnock

Title Owner

Date May 29, 1974

MINING LEASE NO. T(05-1)-ML-60.8-NM-B-1

APPENDIX "B"

BASE ROYALTY AND ROYALTY BID PAYMENTS

FOR TRACT NO. NM-B-1

1. The Lessee agrees to pay to the Commission a base royalty, per dry ton of ore delivered from the leased premises to a mill or other buying station, determined as provided in paragraph 6 of this Appendix "B", in the amount of (a) Two percent (2%) of the value per dry ton up to and including a value of Twenty Dollars (\$20.00) per dry ton, plus (b) Ten percent (10%) of the value per dry ton in excess of Twenty Dollars (\$20.00) per dry ton and up to and including Eighty Dollars (\$80.00) per dry ton, plus (c) Fourteen percent (14%) of the value per dry ton in excess of a value of Eighty Dollars (\$80.00) per dry ton.

2. The Lessee agrees to pay to the Commission, in addition to the base royalty required to be paid pursuant to paragraph 1 of this Appendix "B", a royalty bid payment, per dry ton of ore delivered from the leased premises to a mill or other receiving station, in the amount of Five and
Fifty-Five One-Hundredths percent (5.55 %) of the value per dry ton, determined as provided in paragraph 6 of this Appendix "B"; provided, that such royalty bid payments shall not be payable with respect to ores mined from the leased premises and delivered to a mill or other receiving station after royalty bid payments have been made for ores containing a total of one hundred ninety thousand (190,000) pounds of U_3O_8 so delivered by the Lessee from the leased premises.

3. With respect to ores which are mined from the leased premises and delivered to a mill or other receiving station which is owned or controlled by the Lessee, the Lessee agrees to make base royalty and royalty bid payments, for all lots of such ore assayed during each calendar month, within twenty (20) calendar days after the end of such calendar month. Such royalty and

MINING LEASE NO. AT(05-1)-ML-60.8-NM-B-1

APPENDIX "B"

royalty bid payments shall be treated as provisional payments with respect to any lot of ore for which the Commission requests an umpire assay, and an appropriate adjustment shall be made in the first base royalty and royalty bid payment following Lessee's receipt of the results of such umpire assay of such lot of ore.

4. With respect to ores which are mined from the leased premises and delivered to a mill or other receiving station not owned or controlled by the Lessee, the Lessee agrees:

(a) That the Commission may receive base royalty and royalty bid payments directly from the owner or controller of the mill or other receiving station to which such ores are shipped by the Lessee if the Commission makes arrangements therefor satisfactory to the Lessee.

(b) That, in the absence of such arrangements, the Lessee shall make base royalty and royalty bid payments for all lots of such ore assayed during each calendar month, within twenty (20) calendar days after payment for such lots is mailed to the Lessee; provided, that an appropriate extension of such twenty (20) day period shall be granted by the Contracting Officer for any undue delay in the mails which causes a delay in delivery to the Lessee of payment for such lots of ore. Such base royalty and royalty bid payments shall be treated as provisional payments with respect to any lot of ore for which the payment to the Lessee is provisional, and an appropriate adjustment shall be made in the first base royalty and royalty bid payment following finalization of payment to the Lessee for such ore.

MINING LEASE NO. T(05-1)-ML-60.8-NM-B-1

APPENDIX "B"

5. Payments of base royalty and royalty bid amounts due the Commission shall be deemed to have been made when received at the Commission's Grand Junction Office, Grand Junction, Colorado.

6. The value per dry ton, for all lots of such ore assayed during any calendar month, shall be determined to the nearest cent (\$0.01) by (i) computing the number of pounds of contained U_3O_8 per dry ton of ore in the lots so assayed, by dividing the total number of pounds of U_3O_8 contained in the lots of ore so assayed during such calendar month by the total number of dry tons of ore contained in the lots so assayed during such calendar month, and carrying the result to two decimal places; and (ii) multiplying by \$7.00 the number of pounds of U_3O_8 per dry ton of ore in the lots so assayed.

7. The Commission may from time to time upon its own initiative or at the request of the Lessee reevaluate the base value of \$7.00 per pound of U_3O_8 in concentrate used to determine the value per dry ton of ore as set forth in paragraph 6 above (or such other base value as is then being used hereunder); and if the Contracting Officer finds that there has been a significant change (at least \$0.50 per pound) in the market value of U_3O_8 in concentrate from the base value then being used, the Contracting Officer shall substitute a new base value which shall represent the Contracting Officer's best judgment of the then current market value of U_3O_8 in concentrate, based upon a survey of transfers of uranium concentrate by domestic uranium producers and such other reasonable criteria as may be available to the Contracting Officer.

8. The parties hereto agree that if the Lessee is paid for any constituent, other than uranium, contained in ores mined from the leased premises, all

MINING LEASE NO. AT(05-1)-ML-60.8-NM-B-1

APPENDIX "B"

amounts so paid shall be held in trust by the Lessee for the Commission until the Lessee and the Commission shall have agreed upon a base royalty to be paid to the Commission with respect to Lessee's sale of such constituent.

APPENDIX "C"

ADDITIONAL ENVIRONMENTAL REQUIREMENTS

No roadways or mine portals shall be constructed on the south or west facing escarpments of Haystack Mountain at elevations above 7,300 feet above mean sea level.